



King County

OFFICE OF ECONOMIC AND FINANCIAL ANALYSIS

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Proposed 2011 Work Plan

The primary mission of the Office of Economic and Financial Analysis (OEFA) is to produce official revenue forecasts for King County that are independent, transparent, and employ the best practices of professional forecasting. This document outlines the proposed work plan and timelines of OEFA for 2011.

Timeline of Forecasts

OEFA is required to prepare and present a minimum of two forecasts per year. This year, in addition to the preliminary and final forecasts required by Charter, OEFA will present a third final revision of the County forecast just prior to finalization of the Executive's annual budget. The purpose of this third forecast will be to update information presented in the final forecast with the most current data available. About two weeks prior to each of the formal meetings of the Forecast Council, members will meet for a working session to review a draft of the forecast, discuss preliminary forecast finding and request additional information in advance of formal approval. The following is the current schedule for Forecast Council working sessions and formal meetings in 2011:

<u>Meeting</u>	<u>Day</u>	<u>Time</u>	<u>Location</u>
Work Session: Prelim Forecast	Wednesday, February 23	10 - 11:30	SW Conference Room
Formal Meeting: Prelim Forecast	Wednesday, March 9	12 - 12:30	Council Chambers
Work Session: Final Forecast	Wednesday, June 15	10 - 11:30	SW Conference Room
Formal Meeting: Final Forecast	Wednesday, July 20	12 - 12:30	Council Chambers
Work Session: Final Revision	Wednesday, August 24	10 - 11:30	SW Conference Room
Formal Meeting: Final Revision	Wednesday, September 2	12 - 12:30	Council Chambers

Additional Projects

Here are additional OEFA projects that are either ongoing or will be started in 2011.

- **Web site.** As detailed in the 2010 Work Plan, the OEFA website has been developed and is up and running at <http://www.kingcounty.gov/business/Forecasting.aspx>. The home page delivers graphic displays of the most recently adopted forecasts, information that the most visitors to the site will want to see. Those who are interested in more detail can drill down to documentation on the assumptions behind the forecasts. A page called “King County Vital Signs” provides graphical displays of key economic indicators of the local economy, with commentary. In these difficult times, the site is a useful source of information on revenue and economic projections.

For 2011, we will seek to have a link put on the County Homepage to promote awareness of the site to all County agencies and the wider community. We also plan on establishing a blog where specific economic questions will be addressed, e.g., “The Public Sector and the Business Cycle.”

- **Regional Forecasting Forum.** This January we initiated a forum to bring together individuals in the Puget Sound public sector with forecasting duties, broadly defined. The purpose is to share information, enable cross-fertilization, and promote efficiencies. The first meeting was attended by about 20 from a half dozen agencies, including the private sector. There were presentations on forecasting sales tax revenues – one from the City and another from the County – and a presentation on hedging diesel fuel price risk. We intend to make this a quarterly event.
- **Miscoded Parcels Project.** Last year OEFA identified 90 parcels in several areas of unincorporated King County that have been miscoded as being in incorporated cities. This amounts to roughly \$175,000.00 that should have been going to the County. OEFA worked with the state Department of Revenue (DOR) to correct the records and reallocate the misdirected funds back to the county. These funds will show up in the County’s December and January distributions and OEFA will provide a breakdown of funds returned by Potential Annexation

Area (PAA). This year we hope to work with the Department of Performance, Strategy and Budget (PSB) to employ an intern who will continue this revenue-enhancing project.

- **Fuel Price Hedging Alternatives.** OEFA will work with the County Department of Transportation to review alternative approaches to hedging the price risk of diesel fuel for the Metro Transit fleet. A proposal to the County Council is one possible outcome of the review.
- **Review of Discount Rate Policy.** OEFA will work with PSB to review the County discount rate policy for valuing future expenditures and benefits of capital projects and strategic initiatives.

Forecast Advisory Board (FAB)

OEFA will form an advisory board focusing on the more technical aspects of our forecasting process. The FAB will have the power to make recommendations to the Forecast Council. We envision a group of 5-7 individuals drawn from the County, other public agencies and the private sector. We will work closely with Forecast Council staff to develop a list of appropriate members. We are targeting this spring for an initial review and periodic reviews after that. One of the initial issues the FAB will take on is developing an appropriate set of performance metrics for OEFA.

Revenue Forecast Inventory and Oversight

OEFA is technically responsible for all revenue forecasts in the budget, according to the Prosecuting Attorney's Office. The current budget makes use of many minor revenue projections that OEFA does not produce. Moreover, OEFA has limited or no knowledge about the assumptions on which these projections are based. PSB has supplied OEFA with a master list of departments and agencies that supply these forecasts. OEFA cannot generate all of these items without expanding the size of the OEFA staff, which we do not propose to do. Instead, we propose to initiate the following process.

1. **Inventory.** Identify what revenue items are being forecasted by specific agencies/departments. Meet with the relevant staff of each agency/department to learn the assumptions behind them, determine whether the assumptions are in alignment with the major forecasts and whether they could be improved by assistance from OEFA.
2. **Oversight.** Assign each forecast item into one of two categories of OEFA oversight:

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- a. OEFA will take over the generation of the forecast and make it part of the official set of forecasts delivered to the Forecast Council.
- b. The forecast will continue to be generated by the agency/department. OEFA's role will be to ensure that assumptions behind the item are in alignment with assumptions behind the major forecasts, and will stand ready to offer assistance if needed.

We expect most forecast items will fall into category b. We intend to have this process completed before the Executive's Proposed Budget is transmitted.